

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL MEMORANDUM**

**SB 258 – HB 386**

June 15, 2009

**SUMMARY OF AMENDMENTS (009658, 010024):** Amendment 009658 deletes all language following the enacting clause. Effective January 1, 2010, requires the Commissioner of the Department of Health to license and regulate commercial breeders of dogs and cats. Defines a “commercial breeder” as any person who possesses or maintains 20 or more unsterilized adult female dogs or cats for the purpose of sale of their offspring. For each companion animal sold or advertised for sale while the breeder is unlicensed or has a suspended or revoked license, or for each deceptive statement or material omission by a commercial breeder, the breeder is subject to a remedial civil penalty for each violation not to exceed \$1,000. Requires the applicant for licensure to be free of any criminal offense involving animals for the 10 years immediately preceding the application. Establishes initial license and annual renewal fees. Authorizes the Commissioner to require commercial breeders to keep specific records of sales and to provide an annual report to the Department. Requires the Commissioner to notify local law enforcement agencies if an inspection reveals evidence of animal cruelty. Requires violators to reimburse any municipality, county or state government for any costs incurred in transporting, treating, feeding, maintaining, or otherwise caring for any dog or cat possessed in violation of this part. Authorizes posted securities to be used for reimbursement of costs. Creates an account within the general fund to which all license fees and civil penalties will be deposited. Requires the State Treasurer to invest all monies in the account. Requires that all monies in the account be used to administer the regulatory program and to use the remaining funds within the account to reimburse state or local government agencies any direct cost for transporting, care, and feeding of confiscated animals. States the legislative intent that state and local agencies will enter into partnerships with releasing agencies to provide for the transportation, care, and feeding of confiscated animals at the releasing agencies expense. Amendment 010024 excludes persons who possess or maintain dogs for the primary purpose of the practice of veterinary medicine, persons who maintain dogs and cats for hunting, or persons who engage in training or handling, dogs and cats or for the exclusive purpose of engaging in the business of boarding or grooming from the definition of “commercial breeder.” Requires that all inspections of licensed commercial breeder facilities be conducted by state employees working on behalf of the Commissioner of Health. Establishes a sunset date of June 30, 2014. Urges the Comptroller of the Treasury to conduct a study of the implementation and impact of the regulatory program.

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Should such study take place, the Comptroller will report the results and recommendations to the General Assembly by January 15, 2014.

**CORRECTED FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue - \$321,200/FY09-10  
\$638,000/FY10-11  
\$1,061,800/FY11-12 and Subsequent  
Years  
Increase State Expenditures - \$16,000/One-Time  
\$6,858,500/FY09-10  
\$3,652,200/FY10-11  
\$2,050,500/FY11-12 and  
Subsequent Years  
Increase Local Revenue - \$81,000/FY09-10  
\$162,000/FY10-11  
\$270,000/FY11-12 and Subsequent  
Years  
Increase Local Expenditures – Exceeds \$100,000/Permissive

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Increase State Revenue - \$316,800/FY09-10/Commercial  
Breeder Account  
\$633,600/FY10-11/Commercial  
Breeder Account  
\$1,056,000/FY11-12 through FY13-14  
/Commercial Breeder Account**  
**Increase State Expenditures - \$140,800/One-Time/Commercial  
Breeder Account  
\$412,300/FY09-10/Commercial  
Breeder Account  
\$633,600/FY10-11/Commercial  
Breeder Account  
\$1,056,000/FY11-12 through  
FY13-14/Commercial  
Breeder Account**  
**Increase Local Revenue – Exceeds \$181,000/FY09-10  
Exceeds \$383,800/FY10-11  
Exceeds \$914,200/FY11-12 through  
FY13-14**  
**Increase Local Expenditures – Exceeds \$1,000,000/Recurring\***

**Funds in the amount of \$236,300 will be needed in FY09-10 to fund fully the state cost. A sum sufficient will be appropriated in the Administration amendment to the appropriations bill (SB 2355/HB 2392). In subsequent years, fees will be sufficient to fund fully the state cost.**

Assumptions applied to amendments:

- An estimated 500 commercial dog breeders across the state.
- Registration of 30 percent (150) of the commercial dog breeders in year one (FY09-10), an additional 30 percent (150) in year two (FY10-11), and the remaining 40 percent (200) in year three (FY11-12).
- Registration fees for commercial dog breeders possessing or maintaining 20-40 unsterilized adult female dogs or cats will equal \$500. Eighty percent of each year's registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.
- Registration fees for commercial dog breeders possessing or maintaining over 41 unsterilized adult female dogs or cats will equal \$1,000. Twenty percent of each year's registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.
- In order to ensure that a licensed commercial dog breeder has not been convicted of any criminal offense involving animals, a Tennessee Bureau of Investigation (TBI) background check will be required of each initial applicant for licensure. According to the Department of Health, the fee for the background check fee will be paid by the applicant directly to the vendor that has entered into the statewide contract with TBI.
- The Department of Revenue projects an increase of taxable sales for commercial dog breeders of approximately \$10.8 million per year.
- Taxable sales of commercial dog breeders remain constant in subsequent years.
- The state sales tax rate is currently seven percent; the average local option sales tax rate is estimated to be 2.5 percent.
- For FY09-10, the increase in state sales tax revenue is estimated to be \$226,800 (\$10.8 million x 30.0% (150) registered dog breeders x 7.0% tax rate).
- For FY09-10, the increase in state revenue collected from license fees is estimated to be \$90,000 (150 registrants x 80.0% x \$500 + 150 registrants x 20.0% x \$1,000).
- For FY10-11, the increase in state sales tax revenue is estimated to be \$453,600 (\$10.8 million x 60.0% (300) registered dog breeders x 7.0% tax rate).
- For FY10-11, the increase in state revenue collected from license and renewal fees is estimated to be \$180,000 (300 registrants x 80.0% x \$500 + 300 registrants x 20.0% x \$1,000).

- For FY11-12 through FY13-14, the increase in state sales tax revenue is estimated to be \$756,000 ( $\$10.8 \text{ million} \times 100\% (500) \text{ registered breeders} \times 7.0\% \text{ tax rate}$ ).
- For FY11-12 through FY13-14, the increase in state revenue collected from license and renewal fees is estimated to be \$300,000 ( $500 \text{ registrants} \times 80.0\% \times \$500 + 500 \text{ registrants} \times 20.0\% \times \$1,000$ ).
- According to the Department of the Treasury, the minimal cost for administration of an additional interest-bearing restricted account within the State's Pooled Investment Fund can be accommodated without addition appropriation or reduced reversion.
- Monies within the Commercial Breeder Account will be used to pay for costs incurred with the administration of the regulatory program. Any funds remaining will be used to reimburse state and local agencies for any unreimbursed expenses related to the direct costs in transporting, care, or feeding of any companion animals that were confiscated as a result of identification of animal cruelty.
- The Department of Health will need additional personnel to set up a regulatory section within the Department. The personnel will consist of one staff veterinarian at \$96,158 (\$71,760 salary + \$24,398 benefits), five accounting techs at \$229,705 (\$34,284 salary + \$11,657 benefits x 5), and one administrative services assistant at \$44,099 (\$32,910 salary + \$11,189 benefits). It is estimated that personnel will not be hired until October 2009, therefore the FY09-10 calculations for salary and benefits equal three-fourths of the total for the subsequent years.
- The one-time state expenditures are estimated to equal \$140,800 (\$11,900 computer costs + \$18,900 office landscaping + \$110,000 vehicle purchase).
- The increase in state expenditures for FY09-10 is estimated to be \$412,271 (\$207,068 salaries + \$70,403 benefits + \$4,200 supplies + \$10,600 computer costs + \$55,300 Finance and Administration billing charges + \$28,700 office lease + \$36,000 vehicles).
- The increase in state expenditures for FY10-11 is estimated to be \$511,762 per year (\$276,090 salaries + \$93,872 benefits + \$4,200 supplies + \$17,600 computer costs + \$55,300 Finance and Administration billing charges + \$28,700 office lease + \$36,000 vehicles). The increase in expenditures for reimbursement of local government expenditures is estimated to total \$121,838 (Revenue of \$633,600 - \$511,762 for operation expenses). Total increase in state expenditures for FY10-11 is estimated to be \$633,600.
- The increase in state expenditures for FY11-12 through FY13-14 is estimated to be \$511,762 per year (\$276,090 salaries + \$93,872 benefits + \$4,200 supplies + \$17,600 computer costs + \$55,300 Finance and Administration billing charges + \$28,700 office lease + \$36,000 vehicles). The increase in expenditures for reimbursement of local government expenditures is estimated to total \$544,238 (Revenue of \$1,056,000 -

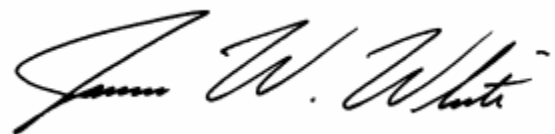
\$511,762 operation expenses). Total increase in state expenditures for FY11-12 through FY13-14 is estimated to exceed \$1,056,000.

- For FY09-10, the increase in local government tax revenue is estimated to be \$81,000 (\$10.8 million x 30.0% (150) registered dog breeders x 2.5% tax rate).
- For FY10-11, the increase in local government tax revenue is estimated to be \$162,000 (\$10.8 million x 60.0% (300) registered dog breeders x 2.5% tax rate).
- For FY11-12 through FY13-14, the increase in local government tax revenue is estimated to be \$270,000 (\$10.8 million x 100% (500) registered breeders x 2.5% tax rate).
- The increase in local government revenue from the reimbursement of costs of housing confiscated animals by the person in violation of this part is estimated to exceed \$100,000.
- For FY10-11, the increase in local government revenue from the reimbursement by the state of any costs of housing, feeding, and caring for confiscated animals is estimated to equal \$121,838.
- For FY11-12 through FY13-14, the increase in local government revenue from the reimbursement by the state of any costs of housing, feeding, and caring for confiscated animals is estimated to equal \$544,238.
- An increase in violations of the animal cruelty act will be discovered through the required inspections of facilities by the Department of Health. The actual increase in violations is undetermined; however, the increase in local expenditures to confiscate and maintain animals in the local facilities is estimated to exceed \$1,000,000.
- Any cost for the Comptroller of the Treasury to conduct a study of the impact of this regulatory program can be accommodated within existing resources without an increased appropriation or reduced reversion.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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